

CIA/OER/S-07404-75 INDOCHINA RICE & OTHER GRAIN PROSPECTS

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CENTRAL INTELLIGENCE AGENCY

WASHINGTON, D.C. 20505

CIA/GER /S-07404-75

18 June 1975

MEMORANDUM FOR: Robert D. Barry
Foreign Demand and Competition Division
US Department of Agriculture

SUBJECT : Indochina Rice and Other Grain Prospects

1. As requested, we have reviewed the draft of the report entitled "Postwar Indochina: Implications for US Agricultural Trade". The paper illustrates the difficulties inherent in forecasting economic trends in Indochina at this time and the wide range of possible outcomes that can emerge from such attempts. As explained in our critique of 28 May 1975, we take a more conservative view of the prospects for Indochinese crop production and exports than USDA. We do not believe that there will be a surplus available by 1980 to enable Indochina at that time to become a net exporter of rice although self-sufficiency indeed may be close at hand. We would hope to continue to exchange observations on the subject of Indochina agricultural achievements and outlook with you as the situation develops in coming months.

2. Since it is not Agency policy to list the names of our analysts as consultants on papers originating outside the intelligence community, we ask that you delete the names of CIA personnel listed in the footnote on page 1. The attached comments are divided into two parts for your convenience. The first and main section expands on these differences in judgments concerning projected production and exports noted above, while the second offers comments on other particulars in the paper. Questions may be directed to

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Prospects for Indochinese Production and Exports of Rice and Other Grains

Several hypotheses and assumptions underlying the conclusions of the USDA report appear somewhat doubtful to us. These and other points relevant to assessments in the paper are organized below by country.

South Vietnam

1. The use of regression analysis to estimate future production trends seems inappropriate in the context of Indochina agriculture. Such regressions tend to obscure major historical distortions caused by changing security conditions, population movements, availability of cheap US-supplied fertilizer during the late 1960s and early 1970s, the introduction of new high-yield strains of rice, etc. We do, nevertheless, feel that the average annual growth rate of 3.2 percent estimated for rice production through 1980 is not unreasonable.

2. Though reasonable, the 3.2 percent estimated annual growth rate probably is optimistic. Two of the assumptions underlying this estimate can be challenged. First, it cannot be assumed that the levels of fertilizers, pesticides, and fuel that have favored expanded cultivation of high-yield rice in the past can be maintained in the future. For example, we have estimated that the per acre

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application rate of nitrogenous fertilizer nutrients in South Vietnam in recent years have been at least twice that of the North. Although fertilizer stocks are adequate for the current crop year, the lack of clear indication on the part of PRG of where future supplies are to come from leads us to believe that application rates in South Vietnam are likely to fall beginning with the 1976/77 crop year. Second, it is by no means certain that effective incentives will be provided peasant farmers under the Communists or that agricultural production will be organized along pragmatic lines for the next five years. Rapid movements toward collectivization have occurred in the past in the North and could be implemented in the South. In our view, the implementation of such policies would almost certainly constrain the growth of production during the period under review.

3. The greatest potential for South Vietnamese rice exports by 1980 undoubtedly derives from the potential substitution of corn and sorghum for rice for domestic feed use. Although the production of corn could be increased at the explosive rate described (doubling each year) the estimate presumes extremely optimal conditions. Since we doubt that such conditions are likely to prevail, we do not believe that South Vietnam will produce as much corn as the paper suggests by 1980. Thus, while we expect that

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corn production in 1980 may be sufficient to cover current feed needs, we would not expect the increased output to provide either surplus for export or for expansion of the livestock industry.

North Vietnam

1. A 3 percent annual average increase in rice production through 1980 would seem reasonable to us if it used 1974/75 as the crop year base. It is worth noting that the sharp increase in rice production (8.3%) forecast by the report for 1975/76 is substantially greater than that expected by Hanoi; and the expectations of the DRV government have been consistently higher than actual achievements. One of the key assumptions in the paper with respect to high growth prospects in the North seems unrealistic to us, i.e., an absence of any disastrous floods for the remainder of the decade. Such flooding has habitually had a devastating impact on either the spring or autumn rice crop in one of every two years. We prefer use of 3 percent growth rate with 1974/75 as the base. On this basis, estimates of rice production and total rice supply by 1980 would become 5.6 million and 5.9 million tons of paddy respectively, rather than the 5.9 and 6.2 million shown on page 11.

2. In our view, total supply of rice and rice equivalents in 1980, as reflected in the table on page 12, should be approximately 6.9 million tons of paddy. This includes the

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forementioned 5.9 million tons of rice paddy and approximately 1 million tons of rice equivalent. The supply of rice equivalent figures offered on page 12 were expressed in terms of milled rice and therefore should be converted to "paddy rice equivalents" (765 thousand tons to 1 million tons in 1980).

3. In terms of paddy, per capita consumption of rice and equivalents has ranged from 260 to 300 kilos per year over the past ten years, not 215 kilos as claimed in table on page 11. As a result, projected total domestic use in 1980 should be increased to 7.8 million tons of paddy.

4. With revised total supply and total domestic use figures, net shortfalls to be made up through imports by 1980 amount to about 900 thousand tons of paddy.

Khmer Republic

1. For reasons outlined in our earlier critique, the 1975/76 harvest is unlikely to exceed by much the 1.5 million ton paddy harvest of this past year. It is doubtful that the new Cambodian government was able to supply sufficient basic tools, seed, fertilizer, and training to former urban residents for timely preparation of fields. In addition, the current large-scale collectivization program is undoubtedly causing some diminution of incentives to produce much beyond immediate family needs.

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2. Beyond the 1975/76 crop year, an average annual growth rate of rice production of 15 to 20 percent -- which probably is reasonable considering the expected low base of 1975/76 -- would bring total production up to 3.1 or 3.2 million tons of paddy by 1980. This would enable the Khmers to achieve self-sufficiency by that time but would be unlikely to provide any appreciable surplus for export.

Laos

We agree with the judgments in the paper.

Total Indochina

1. By 1980, both the Khmer Republic and Laos in rough measure will probably be matching domestic rice availabilities off against domestic rice needs without significant surpluses or deficits.

2. Under favorable assumptions concerning government policies concerning production incentives, organizational reform, and production planning, South Vietnam may have a 700 thousand ton rice paddy surplus available for export by 1980. However, even this would be substantially less than our projected rice deficit of about 900 thousand tons in North Vietnam.

3. Consequently, we do not believe that Indochina will likely become a net exporter of rice by 1980. In fact, there may well be a continuing need for small amounts of imports.

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Other Comments

A number of statistical assertions in the paper do not jibe with information we have at hand. Although we cannot be certain that our figures are more accurate than yours, we thought such instances at least worth mentioning. In some cases, inadvertent mistakes were obviously made and probably have been since corrected.

Page 3 - Am Embassy Phnom Penh reported Khmer Republic total rice imports of 260,000 tons -- all US PL-480 -- in 1974. We have no knowledge of any non-US rice imports.

Page 3 - USDA authorities in Saigon reported, as recently as this spring, South Vietnamese rice imports of 260,000 tons for 1974.

Page 7 - 1974/75 production totals should be 7.1 million vice 1.5 million tons of rice paddy.

Page 6 - USDA authorities in Saigon reported total area planted in rice to be 2.9 million hectares.

Page 9 - Presumably the loss of 1.5 million tons of paddy represents a combined total for the two years, 1971 and 1973.

Page 10- We have doubts about import data that suggest that rice accounted for as much as 80 percent of total grain imports during 1971-73 when non-rice grains were accounting for a much larger share of official rice rations.

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- Page 12- Rice equivalents (secondary crops) are expressed in terms of milled rice, not paddy, as is the rest of the table.
- Page 13- Is it valid to compare North Vietnam's prospects with the experience of Thailand? The two countries operate under entirely different systems of economic organization and one is emerging from an era of protracted warfare while the other has had relative peace for many years.
- Page 14- The 1969 maximum yield for the Khmer Republic was 1.55 mt per hectare. The 1.033 mt per hectare yield applied to the 1968 crop.
- Page 16- 700 million tons of paddy should read 700 thousand tons.
- Page 19- The corn and sorghum rows in the table appear to be reversed.

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